

Notice of Determination

by the Life Code Compliance Committee (Life CCC) on alleged non-compliance with the Life Insurance Code of Practice by a subscriber

Reference:	CX7696	Date:	17 September 2021
Code sections:	1.5(d) and 6.7 ¹		
Investigation:	A consumer-reported alleged Code breach		

The alleged Code breach:

The Consumer purchased a life insurance policy that was issued by a subscriber (the Subscriber) to the Life Insurance Code of Practice (the Code). The Consumer's policy included Trauma and Income Protection benefits.

The Consumer contacted the Life CCC in April 2021 and alleged that the Subscriber was in breach of section 6.7 of the Code. Section 6.7 of the Code requires a subscriber to reimburse a consumer within 15 business day when a consumer cancels a life insurance policy and is entitled to a refund.

The Consumer alleged that the Trauma policy was cancelled in early October 2019, but the Subscriber only provided a refund in February 2020, approximately 4 months after the cancellation of the policy.

In addition to section 6.7, the Life CCC also reviewed the Subscriber's compliance with section 1.5(d) of the Code.

Findings in accordance with Charter clause 7.4(b)(iii)²:

The Life CCC determined that the Subscriber was not in breach of section 6.7 of the Code and that the allegation was unfounded, but the Subscriber was in breach of section 1.5(d) of the Code and the allegation was proven in whole.

The Life CCC findings and conclusion:

Section 6.7

A consumer may be entitled to a refund when they cancel their life insurance policy. If so, section 6.7 requires the subscriber to reimburse any money owed to the consumer within 15 business days.

¹ The Code sections are provided in full in the last section of the Determination

² The Life CCC is bound by its Charter to use the terminology 'the reported allegation was proven in whole or in part or was unfounded.' This in essence requires the Life CCC to state if it determined there was a breach or not. The Life CCC will explain its determination in plain language in the body of the Determination.

The Consumer in this matter noted that the Trauma policy was cancelled in October 2019. The Consumer alleges that the premiums owed were only refunded on 4 February 2020, approximately 4 months after cancelling the policy.

However, the Subscriber noted that the Consumer's requests to cancel the Trauma policy on 8 and 9 October 2019 did not amount to requests to cancel the policy. Instead, they were requests to vary the policy, removing the Trauma benefit from the policy and reducing the sum insured amount for the policy's Income Protection benefit. The Subscriber noted that the Consumer's policy was not cancelled and has remained in-force.

As a result, the Life CCC determined that the Subscriber was not in breach of section 6.7 of the Code and that the allegation was unfounded.

Section 1.5(d)

While section 6.7 did not apply to the Consumer's refund, the Life CCC also reviewed the Subscriber's compliance with section 1.5(d) of the Code. Section 1.5(d) requires subscribers to apply the principle of timeliness to its products and services that are covered by the Code.

In this matter the Consumer contacted the Subscriber on 8 October 2019 to remove the trauma benefit from his policy. The Consumer was provided with a revised premium following the removal of the trauma benefit which would be effective from 5 November 2019 (Quote 1). The following day, the Consumer contacted the Subscriber again to also reduce the income protection sum insured benefit amount. The Subscriber provided the Consumer with a new revised premium which would be effective from 5 October 2019 (Quote 2).

However, when the Subscriber's administration team processed the Quote 2 premium changes on 10 October 2019, the agent incorrectly entered the effective date of the Quote 1 revised premium of 5 November 2019, instead of the effective date of the Quote 1 revised premium of 5 October 2019. This error resulted in the Subscriber's policy administration system not recognising that the Consumer was owed a refund. The Consumer's subsequent premium payment was then recognised by the system as a credit on the account instead of a refund to the Consumer.

The Consumer contacted the Subscriber on 9 December 2019 to request a review of the premiums paid, but a review by the Subscriber's actuarial team did not uncover any amount refundable to the Consumer due to an administration error.

The Subscriber only identified the error on 21 February 2020 when the Consumer contacted it again and stated that the refund had not been received. The Subscriber subsequently provided a refund of \$605.66 to the Consumer on 28 February 2020.

The Subscriber has acknowledged that it breached the timeliness principle in section 1.5(d) as its actions resulted in a delay in providing the Consumer with the refundable premium amount. As a result, the Life CCC determined that the Subscriber was in breach of section 1.5(d) of the Code and that the allegation was proven in whole.

Key learnings

While a refund resulting from a variation in cover is not covered under section 6.7 of the Code, the Subscriber in this instance should have processed the refund for the Consumer within a shorter timeframe. The Life CCC encourages all subscribers to strive to consistently meet key Code promises such as timeliness in order to demonstrate a responsible and committed customer-focussed industry.

Relevant Code Section

Section 1.5

The principles that apply to **our** products and services that are covered by the **Code** are:

- a) clarity and transparency;
- b) fairness and respect;
- c) honesty;
- d) timeliness; and
- e) communications in plain language.

Section 6.7:

You may be entitled to a refund when **you** cancel **your Life Insurance Policy**, in accordance with the terms of **your Life Insurance Policy**. If **you** cancel **your Life Insurance Policy**, any money **we** owe **you** will be reimbursed to **you** within **15 business days**.

The Life CCC is the independent body responsible for the administration and enforcement of the Life Insurance Code of Practice (the Code). It acts in accordance with the Life CCC Charter, which sets out the powers, duties, functions and responsibilities of the Committee, subject to any provisions in the Code. This Determination is issued in accordance with clause 7.4 of the Life CCC's Charter in order to facilitate agreement between the Life CCC and the Subscriber on corrective measures and the relevant timeframes for their implementation.